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Administrative and budgetary aspects of the financing of the United Nations peacekeeping operations

Financing of the United Nations Interim Administration Mission in Kosovo

Financial performance report for the period from 1 July 2002 to 30 June 2003 and proposed budget for the period from 1 July 2004 to 30 June 2005 of the United Nations Interim Administration Mission in Kosovo

Report of the Advisory Committee on Administrative and Budgetary Questions

Appropriation for 2002/03	$330,000,000
Expenditure for 2002/03	$329,967,800
Appropriation for 2003/04	$315,518,200
Proposal submitted by the Secretary-General for 2004/05	$272,210,800
Recommendation of the Advisory Committee for 2004/05	$264,625,200

I. Introduction

1. **The recommendations of the Advisory Committee on Administrative and Budgetary Questions in paragraph 18 below would entail a reduction of $7,585,600 to the proposed budget for the United Nations Interim Administration Mission in Kosovo (UNMIK) for the period from 1 July 2004 to 30 June 2005 (see A/58/638). The Committee also makes a number of observations and recommendations with regard to the administration and management of the Mission and opportunities for further savings.**

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2. **The Advisory Committee's general report on the administrative and budgetary aspects of the financing of the United Nations peacekeeping operations (A/58/759) contains its views and recommendations on a number of cross-cutting issues. Consequently, in the paragraphs below, the Committee deals with resources and other items that relate specifically to UNMIK.**

3. The documents used by the Advisory Committee in its consideration of the financing of UNMIK are listed at the end of the present report.

II. Financial performance report for the period from 1 July 2002 to 30 June 2003

4. On the recommendation of the Advisory Committee, the General Assembly, in its resolution 56/295 of 27 June 2002, appropriated to the Special Account for UNMIK the amount of $344,966,100 for the period from 1 July 2002 to 30 June 2003, inclusive of $330,000,000 for the maintenance of the Mission, $13,364,900 for the support account for peacekeeping operations and $1,601,200 for the United Nations Logistics Base at Brindisi, Italy. The appropriation reflected a reduction of $61,076,200 from the proposed initial estimate of the Secretary-General of $391,076,200 (see A/56/802). Expenditures for the period from 1 July 2002 to 30 June 2003 totalled $329,967,800 gross ($304,885,300 net) (see A/58/634, sect. III.A).

5. The unencumbered balance of $32,200 gross for the period reflects a budget implementation rate of 99.9 per cent and constitutes an improvement of 9.9 per cent compared to 2001/02.

6. The comments of the Advisory Committee on the information in the performance report on individual objects of expenditure can be found, where relevant, in the discussion of the proposed budget for the period from 1 July 2004 to 30 June 2005, in section III below.

III. Information on performance for the current period

7. The Advisory Committee was informed that, as at 29 February 2004, a total of $1.872 billion had been assessed on Member States in respect of UNMIK since its inception. Payments received as at the same date amounted to $1.657 billion, leaving an outstanding balance of $214.3 million. As at 29 February 2004 and in view of the cash position, an amount of $16 million had been loaned from the United Nations Transition Assistance Group. Unliquidated obligations for the period from 1 July 2002 to 30 June 2003 amounted to $11.9 million.

8. A total of $14,887,000 was due to Member States for reimbursement of civilian police costs as at 31 December 2003; the amount of $12,247,000 was paid during 2003, covering costs up to December 2002. As regards contingent-owned equipment, the Advisory Committee was informed that, as at 31 December 2003, the amount of $11,333,000 was owed to Member States for contingent-owned equipment costs; unliquidated obligations for the period up to 30 June 2004 amounted to $5,085,000. In respect of death and disability compensation, $489,000 had been paid as at 31 December 2003 for 13 claims, 31 claims were pending (3

death claims, 2 illness claims and 26 injury claims) and unliquidated obligations amounted to $5,950,000 (see also para. 16 below).

9. The Advisory Committee was provided with the following table showing incumbency as at 29 February 2004:

Category of personnel	*Posts authorized*[a]	*Posts planned (average)*[b]	*Posts encumbered*	*Vacancy rate (percentage)*
Military observers	38	38	34	2.6
Civilian police	3 400	3 170	2 545	19.7
Formed police units	1 203	1 088	934	14.2
International staff	1 049	959	842	12.2
National staff	3 130	2 946	2 802	4.9
United Nations Volunteers	250	250	214	14.4

[a] Represents the highest authorized strength for the period.
[b] Represents planned strength for 1 January to 31 March 2004.

10. The Advisory Committee was provided with expenditure data for the period from 1 July 2003 to 30 June 2004 as at 29 February 2004 (see annex). Expenditure for the current period amounted to $218,565,800 gross ($206,802,400 net), against an apportionment of $315,518,200 gross ($295,813,800 net).

IV. Proposed budget for the period from 1 July 2004 to 30 June 2005

A. Mandate and planned results

11. The Advisory Committee commends the progress achieved in the results-based budget presentation of UNMIK for the 2004/05 period. Its comments and observations are contained in its general report on the financing of peacekeeping operations (A/58/759). In that report, the Committee notes that the objective "to help the Security Council maintain international peace and security" is the same indicated for all peacekeeping missions. **The Advisory Committee is of the opinion that an effort should be made to state the objective for UNMIK on the basis of the specific mandate established by the Security Council for the Mission. In addition, the coordination with other entities should be better reflected in the presentation.**

12. The Advisory Committee notes that the transfer of non-reserved responsibilities listed in chapter 5 of the Constitutional Framework is now largely complete. However, the transfer does not affect the overall authority of UNMIK and the Kosovo Force under Security Council resolution 1244 (1999) or the Special Representative's reserved responsibilities under chapter 8 of the Constitutional Framework. UNMIK will continue to monitor closely and intervene as necessary to ensure compliance of the Provisional Institutions with resolution 1244 (1999) at both the central and municipal levels. The Committee understands that a comprehensive review of progress will take place in mid-2005 to ascertain whether the political process to determine Kosovo's future status can be initiated (see S/2004/71).

13. **The Advisory Committee points out that although the Mission may continue to downsize, the situation is unpredictable. In a number of cases the resources proposed reflect redeployment and reprioritization rather than a reduction in view of the sensitive tasks which remain to be performed. The Committee has taken the foregoing into consideration when making its recommendations on resources in the paragraphs below.**

B. Resource requirements

1. Military and police personnel

Category	*Approved 2003/04*	*Proposed 2004/05*
Military liaison officers[a]	38	38
Civilian police[a]	3 400	3 055
Formed police units[a]	1 203	973

[a] Represents highest level of authorized/proposed strength.

14. The $20,121,400 (17.1 per cent) decrease in military and police personnel costs, compared to the $117,385,700 apportionment for the 2003/04 period, is the result of the lower resource requirements associated with the progressive reduction of civilian police from 3,055 in July 2004 to 2,195 by June 2005, lower resource requirements resulting from the repatriation of three formed police units during the last quarter of the financial period and related lower costs for major equipment. Moreover, the Advisory Committee notes that 37 police stations will be handed over to the Kosovo Police Service and that two special police unit camps will close during the financial period (see para. 25 below).

15. The underexpenditures of $3,707,600 under military and police personnel reported in the performance report for 2002/03 were due mostly to the non-obligation of funds for death and disability compensation of civilian police — in view of the fact that sufficient resources were available to cover outstanding claims — and to lower requirements for mission subsistence allowance of civilian police resulting from a vacancy rate of 9.3 per cent (originally budgeted at 8 per cent).

16. The Advisory Committee requested information on the delay in processing two claims for death compensation during 2003 (see A/58/705, para. 47, table 14 B). The Committee was informed that the delay was due to the need to obtain all the relevant requirements from the claimants and to the longer processing time related to criminal enquiries. **The Advisory Committee trusts that efforts will be made to settle death and disability claims in a more expeditious manner, in accordance with established procedures.**

2. Civilian personnel

Category	*Approved 2003/04*	*Proposed 2004/05*
International staff[a]	1 049	910
National staff[b]	3 130	2 830
United Nations Volunteers	250	250

[a] Represents highest level of authorized/proposed strength.
[b] Includes national officers and national general service staff.

Recommendations on posts

17. A reduction of $8,254,700 (5.7 per cent) in civilian personnel costs is proposed, compared to the apportionment of $145,295,200 for the 2003/04 period. This takes into account the progressive reduction of international staff which began on July 2002 and is projected to decrease further from 910 in July 2004 to 775 by June 2005, the conversion of 223 international staff from the 300 to the 100 series, the projected number of staff encumbering posts at lower levels (283) and the revised salary scales approved effective 1 January 2003. The related staff costs include a 10 per cent vacancy rate for international staff, as is the case for the current period. Resources for national staff also reflect the planned reduction from 2,830 in July 2004 to 2,707 posts by June 2005. A 3 per cent vacancy rate is applied to staff costs, compared to 8 per cent applied during the current financial period.

18. **The comments of the Advisory Committee on the conversion of staff from the 300 to the 100 series are contained in its general report on peacekeeping operations, in which the Committee requests that the proposal be presented in a comprehensive manner to the General Assembly at its fifty-ninth session, in the context of the Secretary-General's report on human resources management policies. The Committee further recommended that action by the Secretariat on conversion from the 300 to the 100 series be deferred. The Committee was informed that an amount of $7,585,600 had been included in the UNMIK budget for the conversion. Accordingly, the civilian personnel costs should be reduced by $7,585,600. However, as indicated in its general report, the Committee has serious doubts about the accuracy of the figures provided. It requests detailed and well-justified information in the next submission on this subject.**

19. Besides the further downsizing of international and national staff for the 2004/05 period, structural changes include:

- Establishment of a new Office of the Coordinator of the Kosovo Protection Corps with 20 posts (10 International, 5 National and 5 United Nations Volunteers posts) (see A/58/638, table 2)
- Strengthening of the Office of Returns and Communities with 7 additional posts (3 International, 2 National and 2 United Nations Volunteers posts) to a total of 27 posts under component 1, substantive civilian (ibid.)
- Establishment of a new Financial Investigations Unit with 8 posts (7 International and 1 United Nations Volunteer posts) to conduct sensitive financial investigations (ibid., table 3)

- Establishment of a Financial Information Centre (3 International posts) to enforce recently enacted money-laundering legislation (ibid.)
- Strengthening the International Judicial Support Division with one D-1 post for the Special Chamber of the Supreme Court on the Kosovo Trust Agency (ibid.).

20. **The establishment of these new units, or the strengthening of existing ones, is related to the monitoring tasks to be performed by the Mission. The necessary staff requirements are to be met through the reprioritization and redeployment of staff resources. Under the circumstances, the Advisory Committee has no objection to these proposals, or to the proposed new structures of the Mission indicated in document A/58/638, tables 2 and 3.**

Other observations and recommendations

21. The overexpenditure of $4,286,500 under civilian personnel costs, reported in the 2002/03 performance period (see A/58/634), resulted mostly from the fact that the budget had been prepared on the basis of the average annual cost of international staff rather than standard costs. The $8,600,300 overrun under international staff resulted mostly from the revised post adjustment rates approved effective November 2002, new salary scales for Professional staff and above and Field Service staff (100 and 300 series) effective January 2003, approval of special post allowance for staff performing functions at a higher level, a decrease in the number of staff appointed at lower levels than authorized and increased separation costs resulting from the downsizing of the Mission. The overexpenditures for international staff were offset by underexpenditures of $3,457,900 under national staff, resulting from recruitment at lower levels than authorized (see A/58/634, sect. III.A).

22. **The Advisory Committee has called attention to the consistent recruitment of international staff at grades lower than those approved in the authorized staffing table of the Mission and pointed out the need for a review and even the reclassification of such posts (see A/57/772/Add.5, para. 22). The Committee notes the response provided in section V.A. of the Secretary-General's report (A/58/638). However, information provided to the Committee for the period from July 2003 to January 2004 shows an average of 17 per cent of posts filled at lower levels for D-1 and P-5 categories and of 20 per cent and 37 per cent, respectively, for the P-4 and P-3 categories.**

23. The Advisory Committee was informed that many of the functions included monitoring standards in the reserved areas, hence the need for a more gradual downsizing of senior-level posts. **However, in view of the foregoing, the Committee reiterates the need for a review and reclassification of the posts in UNMIK (see also the Committee's general report (A/58/759)).**

24. **The Advisory Committee encourages greater use of national staff wherever feasible and cost-effective (see A/57/772, para. 80), as well as of United Nations Volunteers.**

3. Operational costs

Apportioned 2003/04	*Proposed 2004/05*
$52,837,300	$37,906,000

25. Operational costs for the Mission are proposed to be reduced by $14,931,300 (28.3 per cent) to $37,906,000 for the 2004/05 period. Most of the decrease is reflected under facilities and infrastructure — from $21,228,000 in 2003/04 to $16,109,300 for 2004/05. This is due mostly to the reduction in the number of premises maintained by the Mission, following the handover of 37 police stations to the Kosovo Police Service and the closure of two special police unit camps (see para. 14 above). Savings are therefore projected under maintenance services ($1,309,300) through the outsourcing of six management and maintenance services, spare parts and supplies ($585,500) and maintenance supplies ($523,600), among others. In addition, a decrease in requirements of $1,942,700 is also envisaged under security services, in view of outsourcing for unarmed security services for the compound in Kosovo under a service contract which began in December 2003. **The Advisory Committee is of the opinion that the estimates of savings are conservative and that further savings may be achieved under operational costs as a result of the reduction in personnel and the outsourcing of management and maintenance services. Moreover, as the Mission downsizes, the trend of expenditures in all areas should be closely monitored. The Committee is not recommending a reduction at this stage, but further savings achieved should be shown in the performance report.**

26. Resources for ground transportation show a decrease of $2,965,200 (32.1 per cent) compared to the apportioned amount of $9,247,200 for the 2004/05 period. The vehicle fleet will decrease from 2,717 to 1,910 during that period. UNMIK is proposing to replace 98 vehicles during 2004/05 (compared to 240 budgeted to be replaced during 2003/04), to write off 692 light and 2 heavy vehicles by June 2005 in view of age and condition and to transfer 377 light and 33 heavy vehicles to other missions by June 2004. **In this connection, the Advisory Committee trusts that the vehicles shipped meet policy guidelines (three years serviceable life, fully refurbished) so as to ensure that the transfer is cost-effective.**

27. **The Advisory Committee commends the Mission for the introduction of initiatives such as the vehicle CarLog system, safe driving courses, vehicle winterization programmes, suspension of licences owing to drunken driving, maintenance schedules and enforcement of strict administrative instructions, which led to a reduction of vehicle accidents from 20 per month in the 2001/02 period, to 14 during the 2002/03 period, to a projection of 10 for the 2004/05 period. The Committee is of the opinion that the experience of such initiatives should be shared with other peacekeeping missions.**

28. Proposed resources for communications and information technology decreased by $1,982,400 (28.6 per cent) and $1,161,700 (20.8 per cent), compared to the 2003/04 respective apportionments of $6,937,600 and $5,578,200. The resources for acquisition of communications equipment ($569,000) reflect an increase of $17,000 for the acquisition of communications equipment to be used in the backbone structure established during the 2002/03 period, taking into account the size and scope of the network as well as equipment identified for write-off. The Advisory Committee was further informed that while the number of personnel in the Mission

were being reduced, the network would not change, since the Mission would continue to support the current number of locations.

29. The resources under general temporary assistance during the performance period showed overexpenditures of $219,200, compared to the amount of $322,500 apportioned for the 2002/03 period. **The Advisory Committee is not convinced that some of those tasks could not be carried out by Mission staff and believes that such requests should be rationalized.** The resources for 2004/05 amount to $105,600, as apportioned for 2003/04.

30. For the 2002/03 reporting period, training expenditures amounted to $512,500, an overrun of $21,100. The 2004/05 estimate for training amounts to $392,900 for the training of 2,402 staff members, a decrease of $148,000 compared to the resources requested for the 2003/04 period. This is due to reduced requirements for fees, in view of the fact that most training will take place in the United Nations Logistics Base at Brindisi. **The Advisory Committee requests that the reassignment of trained staff be monitored so that future use of their acquired skills is assured. The comments and observations on the issue of training are contained in the Committee's general report on peacekeeping operations (see A/58/759).**

31. In its previous report on the financing of UNMIK, the Advisory Committee pointed out the need to monitor carefully and lower bank charges (A/57/772/Add.3, para. 53). **The Committee welcomes the reduction in the costs for bank charges for 2004/05 to $440,000 (a 70.7 per cent reduction compared to the budgeted provision of $1,500,000 for the current period) as a result of a decrease in fees obtained through negotiation with the banks.**

32. The Advisory Committee further enquired as to the variances owing to European currency and United States dollar fluctuations, which led to overruns in a number of budget items indicated in the performance report for the 2002/03 period. The Committee was informed that a total loss owing to currency fluctuations of $2,264,600 had been identified under acquisition of office furniture ($700), spare parts and supplies ($12,100), commercial communications ($467,700) and loss on exchange ($1,784,100).

C. Other matters

33. The Advisory Committee also had before it the report of the Office of Internal Oversight Services on the investigation into the fraudulent diversion of $4.3 million by a senior staff member of the United Nations Interim Administration Mission in Kosovo who had been assigned to the reconstruction pillar administered by the European Union (Pillar IV) (see A/58/592). The Committee notes that most of the funds unlawfully obtained have been recovered and that a criminal conviction against the perpetrator has been obtained (ibid., paras. 22 and 33).

34. **The Advisory Committee is particularly concerned about two issues made evident in this investigation: first, the systemic failure to detect deception in the recruitment stage or to allow better communication in this connection among the different pillars, in this case UNMIK and the European Union; and second, the lack of management oversight in Pillar IV, where the abuses were reported.** The Committee requested additional information on measures taken to avoid recurrence of such events. In this connection, the Committee was informed that an inter-agency task force on corruption had been set up and a joint working group (UNMIK/European

Union) had been established to harmonize recruitment procedures, and that UNMIK had accommodated requirements to strengthen temporarily internal audit capacity by utilizing an available vacant post. Moreover, the Committee notes that the resident auditor capacity is proposed to increase from four to five posts, including an additional post at the P-5 level for the 2004/05 period (see A/58/715, paras. 94 and 95 (c)).

V. Conclusions of the Advisory Committee

35. The action to be taken by the General Assembly in connection with the financing of UNMIK for the period from 1 July 2002 to 30 June 2003 is indicated in paragraph 22 of the performance report (see A/58/634, sect. V). **The Advisory Committee recommends that the unencumbered balance of $32,200, as well as other income/adjustments in the amount of $10,772,000, for the period from 1 July 2002 to 30 June 2003 be credited to the Member States in a manner to be determined by the General Assembly.**

36. The action to be taken by the General Assembly in connection with the financing of UNMIK for the period from 1 July 2004 to 30 June 2005 is indicated in paragraph 24 of the budget report (see A/58/638, sect. IV). **Taking into account its recommendation in paragraph 18 above, the Advisory Committee recommends that the estimated budget requirement of $272,210,800 be reduced by $7,585,600. Accordingly, the Committee recommends that the Assembly appropriate an amount of $264,625,200 gross ($248,409,400 net) for the maintenance of the Mission for the 12-month period from 1 July 2004 to 30 June 2005.**

Documentation

- Report of the Secretary-General: performance report on the budget of the United Nations Interim Administration Mission in Kosovo for the period from 1 July 2002 to 30 June 2003 (A/58/634)
- Report of the Secretary-General on the proposed budget for the United Nations Interim Administration Mission in Kosovo for the period from 1 July 2004 to 30 June 2005 (A/58/638)
- Note by the Secretary-General on the investigation into the fraudulent diversion of $4.3 million by a senior staff member of the reconstruction pillar of the United Nations Interim Administration Mission in Kosovo (UNMIK) (A/58/592)
- Report of the Advisory Committee on Administrative and Budgetary Questions on the financing of the United Nations Interim Administration Mission in Kosovo (A/57/772/Add.5)
- Reports of the Secretary-General on the United Nations Interim Administration Mission in Kosovo (S/2003/996 and S/2004/71)
- General Assembly resolutions 56/295 and 57/326 on the financing of the United Nations Interim Administration Mission in Kosovo
- Security Council resolution 1244 (1999)

Annex

Actual expenditures for the United Nations Interim Administration Mission in Kosovo for the period from 1 July 2003 to 30 June 2004

(Thousands of United States dollars)

Category	*Apportionment*	*Expenditures as at 29 Feb. 2004*
Military and police personnel		
Military observers	1 174.2	911.7
Military contingents	3 452.5	3 452.5
Civilian police	93 728.6	59 410.9
Formed police units	19 030.4	16 943.7
Subtotal	**117 385.7**	**80 718.8**
Civilian personnel		
International staff	101 749.7	73 609.9
National staff	35 399.4	23 853.7
United Nations Volunteers	8 146.1	5 191.8
Subtotal	**145 295.2**	**102 655.4**
Operational costs		
General temporary assistance	167.6	161.6
Government-provided personnel	–	–
Civilian electoral observers	–	–
Consultants	–	–
Official travel	1 666.7	956.1
Facilities and infrastructure	21 228.0	14 974.2
Ground transportation	9 247.2	8 210.8
Air transportation	2 906.7	1 162.2
Naval transportation	–	–
Communications	6 937.6	4 740.6
Information technology	5 578.2	2 443.8
Medical	762.4	386.2
Special equipment	110.9	110.9
Other supplies, services and equipment	4 294.0	2 045.2
Quick-impact projects	–	–
Subtotal	**52 837.3**	**35 191.6**

Category	*Apportionment*	*Expenditures as at 29 Feb 2004*
Gross requirements	**315 518.2**	**218 565.8**
Staff assessment income	19 704.4	11 763.4
Net requirements	**295 813.8**	**206 802.4**
Voluntary contributions in kind (budgeted)	-	-
Total requirements	**315 518.2**	**218.565.8**